

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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In the Matter of the Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$14,476,800 or 24.8% in July 2017, \$3,599,800 or 5.0% in July 2018, and \$4,778,200 or 6.4% in July 2019, and in its Fontana Water Company division by \$20,607,600 or 38.6% in July 2017, \$1,760,400 or 2.3% in July 2018, and \$2,664,800 or 3.4% in July 2019.

A.16-01-002  
(Filed January 4, 2016)

**PREHEARING CONFERENCE STATEMENT  
OF SAN GABRIEL VALLEY WATER COMPANY**

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April 18, 2016

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OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$14,476,800 or 24.8% in July 2017, \$3,599,800 or 5.0% in July 2018, and \$4,778,200 or 6.4% in July 2019, and in its Fontana Water Company division by \$20,607,600 or 38.6% in July 2017, \$1,760,400 or 2.3% in July 2018, and \$2,664,800 or 3.4% in July 2019.

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Consistent with Rule 7.2 of the Commission's Rules of Practice and Procedure ("Rules"), San Gabriel Valley Water Company, Applicant in the above-captioned proceeding ("San Gabriel" or "Applicant"), respectfully submits this Prehearing Conference Statement for consideration in connection with the upcoming Prehearing Conference, which has been scheduled to be held April 19, 2016, in San Francisco, before Administrative Law Judge ("ALJ") S. Pat Tsen.

I.

THE APPLICATION

In accordance with the Rate Case Plan for Class A Water Utilities, San Gabriel submitted its first consolidated proposed application for a general rate case ("GRC") for both its Los Angeles County ("LA") division and its Fontana Water Company ("FWC")

division for review by the Office of Ratepayer Advocates (“ORA”) on November 2, 2015. As modified in response to ORA’s deficiency letter and to reflect more recent events, this Application was filed on January 4, 2016. Filed with the Application were three exhibits, initially designated as follows:

- Exhibit SG-1 General Division Report on Operations
- Exhibit SG-2 Los Angeles County Division Report on Operations
- Exhibit SG-3 Fontana Water Company Division Report on Operations

Concurrently with filing its Application, San Gabriel served these materials along with direct testimony of five expert witnesses (initially designated as Exhibits SG-4 through SG-8) on ORA and thereafter provided timely notice of the Application in accordance with Rule 3.2 and the Rate Case Plan for Class A Water Companies.<sup>1</sup> San Gabriel filed its Proof of Compliance with Notice Requirements of Rule 3.2 on February 18, 2016.

Important aspects of this GRC Application include the following:

- The most significant factor driving the need to increase rates is the dramatic decline in water sales per customer due to changes in customers’ use of water. While much of this decline in sales reflects conservation efforts in response to the ongoing drought, changes in customers’ use of water are expected to have long-term impact on San Gabriel’s sales.
- Substantial investments in utility plant have been required since the last GRCs for San Gabriel’s two operating divisions, and substantial additional investments are proposed over the planning horizon of this GRC, which are reflected in San Gabriel’s capital budgets for calendar years 2016 through 2019. Many of these projects are needed to respond to ongoing drought conditions, to replace aging infrastructure, to restore lost water supply capacity due to contamination and aging wells, to reduce water loss, and to ensure safe and reliable water service.

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<sup>1</sup> See, Decision 07-05-062, App. A, at 25.

- Increases in certain operating expenses also are significant drivers of the need for increased rates. Of particular importance are increases in payroll and related expenses, as well as the increased cost for chemicals necessary for treatment of water supplies.

## II.

### THE PROTESTS

Two parties have protested San Gabriel's Application: The Office of Ratepayer Advocates ("ORA") and the Fontana Unified School District ("District").

#### A. Office of Ratepayer Advocates

ORA submitted its protest on February 8, 2016, providing an extensive list of issues ORA intended to examine and indicating that other issues may arise as discovery proceeds. ORA Protest, at 1-3. All the issues ORA has identified appear to be within the proper scope of this GRC.

ORA has vigorously pursued discovery in this proceeding and San Gabriel has worked diligently to respond promptly and completely to ORA's data requests. Specifically, as of April 12, 2016, San Gabriel had received 59 sets of data requests from ORA, including 349 individual questions (not including sub-parts). As of this date, San Gabriel has responded to 55 of the 59 data requests, of which 54 responses are complete and one has been partially completed. San Gabriel is in the process of developing responses to the four outstanding ORA data requests.

In its protest, at page 4, ORA proposes certain changes in the procedural schedule that San Gabriel had proposed in Attachment H to its Application, which was consistent with the Rate Case Plan promulgated by Decision 07-05-062. In particular,

ORA proposes a two-week deferral of evidentiary hearings to the week of October 31, 2016. By an electronic message sent March 10, 2016, counsel for San Gabriel informed ALJ Tsen that San Gabriel agrees with the revised schedule proposed by ORA, except that San Gabriel proposes that evidentiary hearings be scheduled to begin Monday, October 24, 2016, one week earlier than ORA proposed, and that ORA does not object to that change in its proposed schedule.

B. Fontana Unified School District

The District's Protest asserts that San Gabriel is requesting rates for the FWC division that are unreasonable and cannot be justified, and that water rates "should not exceed the federal cost of living index." San Gabriel does not at this time respond to the specific assertions presented in the District's Protest, but San Gabriel's witnesses will be prepared to address any relevant questions at hearing.

III.

WITNESSES

As noted above, San Gabriel's filing of its Application on January 4, 2016, was accompanied by service of the Application along with the direct testimony of five expert witnesses in accordance with the Rate Case Plan. San Gabriel requests that the Commission require all parties, at the earliest possible date, to share the identities and subject matter responsibilities of the witnesses who will be presenting testimony on their behalf in this proceeding.

IV.

CONCLUSION

San Gabriel looks forward to a substantive and productive discussion of the issues and the procedural schedule for this proceeding at the Prehearing Conference set to be held April 19, 2016.

Respectfully submitted,

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